

SAirGroup not to sell Swissair

Sandor Galambos

12/12/2000

Summary: Shares of the SAirGroup, the parent company of the Swiss national carrier Swissair, rose after its board members ruled out a sale of the airline last week. At a board meeting, SAirGroup's CEO Philippe Bruggisser, was directed to find a solution to shrinking profits and heightened competition. The board chairman contends that the notion of a sale of Swissair was neither envisaged nor discussed at the board meeting, despite newspaper reports published prior to the meeting stating the contrary. Rather, the meeting was designed to evaluate and weigh the risks and odds of alternative scenarios. The SAirGroup is adamant about clinging onto its core business -- the airline business, in spite of currently posing a bottomless pit. The board is keeping its options open on how to improve Swissair's position and asked upper management to analyze options in depth. The group management is determined not to deviate from its current path of the airline business, which calls for consolidation on a regional basis, thereby remaining on independent footing. Projections suggest that this path continues to remain rocky with many impediments to overcome. End Summary.

The SAirGroup has come under intense pressure lately. Investors are fleeing as airline reorganization costs mounted, thereby clouding the picture of profitable growth in the non-traditional airline businesses. These include the catering (SAirRelations division), cargo (SAirLogistics division) and maintenance divisions (SAirServices division) of the holding group. SAirGroup said in the summer that its full-year earnings would fall short of expectations after first-half earnings slumped 97 percent or CHF 155 million (\$89 million), citing high fuel costs, the strength of the dollar against the European currencies, and falling passenger yields.

The SAirGroup has resisted joining a global group and sought instead to enlarge its alliance with small European carriers for the purpose of strengthening itself for any merger talks. The company's focus has left it with stakes in a number of unprofitable carriers. Unlike

its major European competitors, Swissair is compelled to expand its relatively small home market by way of forging alliances in order to avert market share losses on heavily contested intercontinental routes. By forming a web of partners, the Swiss airline inaugurated the "Qualiflier-Group" in 1998. The Swiss air carrier is hampered, though, by money-losing European airlines in the Qualiflier Group. They encompass the Germany charter airline LTU, in which the SAirGroup holds a 49.5 percent minority stake, the Belgian national carrier Sabena (the group holds at present a 49.5 percent stake slated to be increased to 85 percent), as well as the three French airlines (Air Liberte, AOM, and Air Littoral), targeted to be consolidated.

After publishing half-yearly results, losses engendered by LTU and restructuring costs associated with the three French airlines are said to consume more than CHF 700 million (\$400 million). Rumors shroud the group, suggesting the economic situation has further deteriorated since publishing mid-year results. Given this unpleasant overall picture, a legitimate question has been raised as to what would be the next move to exit the current quandary and the looming prospect of financial resources nearing exhaustion. One viable solution would be to join one of the prominent global airline alliances, which would make sense if the carrier would be in a robust economic situation. Joining the One World alliance, of which American Airlines and British Airlines are part, could potentially be a wise move. The former airline already entered into a code-share agreement under the Open Sky Agreement on much-coveted North-Atlantic routes.

The following represents a list of air carriers that are part of the Qualiflier Group. (The SAirGroup's ownership in its partner airlines is also indicated):

Swissair:	100.0%
Crossair (Swissair's regional carrier):	69.2%
Sabena (Belgian national carrier):	49.5% *
TAP Air Portugal:	none **
Turkish Airlines:	none
LOT Polish Airlines:	37.7%

Air Liberte (France):	none ***
AOM (France):	49.0% ***
Air Littoral (France):	49.0% ***
Volare Group (Volare, Air Europe effective January 1, 2001)	49.9%

* Intended to be increased to 85%

** A 34%-stake is intended

*** Plans are underway to merge these three French airlines.

Swissair entered into collaboration agreements with the following two carriers. They are, however, not part of the Qualiflier Group:

South African Airways:	20.0%
LTU (Germany):	49.5%

Swissair entered into route specific code-share agreements with the following carriers:

American Airlines:	North-Atlantic
routes under	
Agreement	the Open Sky
Thai Airways:	Switzerland -
Thailand	
Japan Airlines:	Switzerland
- Japan	
Malaysian Airlines:	Switzerland -
Malaysia	
Cathay Pacific:	Switzerland
- Hongkong	
Qantas:	Switzerland -
Australia	

This report was generated by:

Zurich America Center
Mr. Sandor Galambos
U.S. Commercial Service
Dufourstrasse 101

8008 Zurich, Switzerland
Tel: (+41-1)422-2372
Fax: (+41-1)382-2655
E-mail: Sandor.Galambos@mail.doc.gov
Website: www.uscom.ch

IMI Customer Satisfaction Survey

U.S. Department of Commerce
International Trade Administration
The Commercial Service

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Industry/title: _____

Commerce domestic office that assisted you (if applicable): _____

2. How did you find out about the IMI service?

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___Recommended by another firm
___Recommended by Commerce staff
___Trade/state/private newsletter
___Department of Commerce newsletter
___Other (specify): _____

3. Please indicate the extent to which your objectives were

___satisfied:
___1-Very satisfied
___2-Satisfied
___3-Neither satisfied nor dissatisfied

- 4-Dissatisfied
- 5-Very dissatisfied
- 6-Not applicable

- __Overall objectives
- __Accuracy of information
- __Completeness of information
- __Clarity of information
- __Relevance of information
- __Follow-up by Commerce representative

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- __Decided to enter or increase presence in market
- __Developed an export marketing plan
- __Added to knowledge of country/industry
- __Corroborated market data from other sources
- __Decided to bypass or reduce presence in market
- __Other (specify): _____

5. How likely would you be to use the IMI service again?

- __Definitely would
- __Probably would
- __Unsure
- __Probably would not
- __Definitely would not

6. Comments:

* * * About Your Firm * * *

1. Number of employees: __1-99 __100-249 __250-499
__500-999 __1,000+

2. Location (abbreviation of your state only):_____

3. Business activity (check one):

- __Manufacturing
- __Service
- __Agent, broker, manufacturer's representative
- __Export management or trading company
- __Other (specify):_____

4. Value of export shipments over the past 12 months:

___Less than \$10K
___\$11K-\$100K
___\$101K-\$500K
___\$501K-\$999K
___\$\$1M-\$5M
___More than \$5M

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OMB. No. 0625-0217; Expires 05/31/02

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